BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20054

In the Matter of	)	
	)	
Cost Review Proceeding for Residential and Single-Line Business Subscriber Line Charge (SLC) Caps	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45

REPLY COMMENTS OF THE PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA ON THE COST REVIEW PROCEEDING FOR RESIDENTIAL AND SINGLE-LINE BUSINESS SUBSCRIBER LINE CHARGE

On behalf of the citizens of the District of Columbia ("District"), the Public Service Commission of the District Columbia ("DCPSC") respectfully submits its reply comments in the above-referenced proceeding pursuant to 47 CFR Section 1.415 and the Public Notice for the Initiation of Cost Review Proceeding for Residential and Single-Line Business Subscriber Line Charge (SLC) Caps – CC Docket Nos. 96-262, 94-1 issued on September 17, 2001.[1] The DCPSC submits these reply comments in support of the comments filed by the National Association of State Utility Consumer Advocates ("NASUCA"). We agree with the NASUCA study that the proposed Subscriber Line Charge ("SLC") increase exceeds costs and thus is unwarranted, based on the fact that,

[1] See Public Notice, DA 01-2163 (released September 17, 2001).

especially in the District, it would overcompensate the local exchange carrier ("LEC") and would unnecessarily burden our ratepayers.

The Telecommunications Act of 1996 ("Act") was promulgated to promote, among other things, competition in local telecommunications service markets. The Act, together with the subsequent rules and regulations adopted by the Federal Communications Commission ("Commission") and many of the state commissions, established requirements for local telecommunications providers which were designed to encourage a transition from monopoly to competition. These requirements, among other things, allow local telecommunications service providers to recover certain expenses incurred in the provision of local exchange service.

The Commission's rules, for example, provide certain cost recovery mechanisms that allow LECs to recover common line, marketing, and transport interconnection charges ("CMT"). The SLC is the mechanism provided by the Commission's rules for the recovery of these costs. This charge is currently capped at $5.00 per month nationwide, although end users in the District currently pay a $3.81 flat fee every month. The District's fee is lower than the nationwide cap because the District's costs are lower, as it is geographically concentrated and thus, requires a much shorter loop than do individual states.

The Commission, in this proceeding, is considering raising the cap from $5.00 to $6.00 per month by July 2002, and to $6.50 per month, by July 2003. This proposed increase should be rejected given the comments filed by NASUCA, which show that LECs would be overcompensated should the Commission adopt its proposed increase of

SLC. Moreover, the increased SLC would increase ratepayers' bills at a time when many parts of the country, including the District are still in a recession and are trying to recover from the business and employment downturn arising from the events of September 11, 2001. We also fear an increase in the SLC will exacerbate the burdens on the growing unemployment rate in the District, and thereby also directly impact our telephone penetration rate.

NASUCA filed comments in response to the Commission's Public Notice on January 24, 2002, including the results of its study indicating that the current charges collected by LECs are more than sufficient to cover the costs for service currently being provided, and that any increase in the cap would overcompensate LECs. The DCPSC believes that NASUCA's study and analysis of the cost recovery is reasonable and consistent with the Commission's guidelines. The DCPSC, therefore, agrees with NASUCA's conclusion that no economic basis exists for an increase in the SLC.

In compliance with the Commission's commitment to set service prices based on their forward-looking economic costs, and consistent with utilization of the total element long-run incremental cost ("TELRIC") methodology, the SLC in the District should, at least, be reduced to from its current rate of $3.81 to its economic cost of $3.40. The $0.41 difference is derived on the basis of Verizon's own filing with the Commission in this docket. It suggests a revenue requirement of roughly $47,658,000, or $4.38 per line, per month, for 906,735 access lines, from which common line and other marketing expenses are also recovered. At the same time, the special access marketing expense is calculated to be $4,464,000, which, if divided by the same total number of access lines, would be $0.41 per line, per month of additional charges imposed on end users. The current overcharge of $0.41 is the result of Verizon's inclusion of special access marketing charges that are not permitted by part 69.156 of the Commission's rules. See 47 CFR Section 69.156. It is imperative that residential and single-line business rate payers, such as those in the District, are not made to pay unwarranted subsidies.

For the foregoing reasons, the DCPSC requests that the Commission reject the proposed SLC increases. In the alternative, the DCPSC requests that the Commission undertake further study of the fairness and reasonableness of the proposed SLC increases, extending beyond the cost studies submitted by LECs such as Verizon. Finally, the DCPSC requests the Commission approve a $0.41 reduction in the SLC for District of Columbia ratepayers.

Respectfully submitted,

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Timothy R. Robinson
General Counsel

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Noel S. Antonio
Staff Counsel

Office of the General Counsel
Public Service Commission
of the District of Columbia
1333 H Street, N.W.
Second Floor, West Tower
Washington, D.C. 20005

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